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HOUSE OF REPRESENTATIVES
REPORT
101-66

# ENFORCEMENT OF THE UNITED STATES-JAPAN SEMICONDUCTOR AGREEMENT

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MAY 24, 1989.—Referred to the House Calendar and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

## REPORT

[To accompany H. Res. 146]

The Committee on Ways and Means, to whom was referred the resolution (H. Res. 146) to call for the President to take action to enforce the semiconductor agreement, and prevent further unfair Japanese trade practices, having considered the same, report favorably thereon without amendment and recommend that the resolution be agreed to.

### BACKGROUND

In 1986, the United States and Japan entered into an agreement on semiconductors, providing for an end to Japanese dumping in the United States and in third markets and providing for a steady, gradual increase in foreign market access in Japan. (A side letter to the agreement envisaged an increase in foreign market share from the level of 8.5 percent in 1986 to a level in excess of 20 percent by 1991.) On March 27, 1987, the Reagan Administration announced sanctions totalling $300 million due to Japan's failure to enforce the agreement. The sanctions related to dumping ultimately were lifted due to Japanese compliance with that portion of the agreement. However, 100 percent ad valorem tariffs remain in place against $165 million worth of Japanese exports to the United States due to the lack of increased foreign market access.

### COMMITTEE ACTION

H. Res. 146 was introduced on May 3, 1989, by Congressman Robert T. Matsui (D., Calif.). The resolution was referred to the Committee on Ways and Means, where it was referred to the Subcommittee on Trade. The Subcommittee on Trade on May 4, 1989, by voice vote ordered H. Res. 146 favorably reported to the full



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Committee. The Committee on Ways and Means on May 18, 1989, considered H. Res. 146 in a markup session and ordered the resolution favorably reported to the House by voice vote.

## SECTION-BY-SECTION ANALYSIS, COMPARISON WITH PRESENT LAW, AND REASONS FOR CHANGE

*Present law*

Various provisions of present law set forth procedures relating to dumping and foreign unfair trade policies and practices which limit U.S. market access. There is no sense of the House in force relating to enforcement of the U.S.-Japan agreement on semiconductors.

*Explanation of provision*

H. Res. 146 expresses the sense of the House that Japan has not lived up to its agreement in an area of vital importance to U.S. economic health and national security; that the Administration convey to the Government of Japan that its continuing violation of the agreement is unacceptable; that the President and several members of the Cabinet seek a prompt remedy for the violation relating to market access; and that the President and the U.S. Trade Representative, under existing law, take all measures necessary to achieve compliance with the agreement.

*Reasons for change*

The foreign share of Japan's semiconductor market is now about 10.5 percent. While this level is higher than the 8.5 percent market share prevailing in 1986, it is close to the average share over the past two decades. In addition, it is not as high as it should be if Japan is to meet the anticipated 20 percent foreign market share over the time period envisaged by the agreement.

When the United States entered into the semiconductor agreement with Japan, it suspended antidumping cases and a section 301 case pending against Japanese producers. The agreement will expire on July 31, 1991, and, according to the U.S. Trade Representative's National Trade Estimates report, "Despite some progress, two years after the agreement's implementation, U.S. market access objectives have not been met. Full Japanese compliance with the agreement could increase U.S. sales in Japan as much as $5 billion over the life of the agreement."

The fact that the U.S. Government suspended several unfair trade practices cases and entered into a comprehensive settlement agreement with the Government of Japan makes it imperative that the agreement be enforced. The Congress does not expect to see trade laws weakened or circumvented by agreements which then are not respected by the trading partner entering into them. The Committee recommends approval of the resolution in order to ensure that the Administration take seriously Congressional interest in securing Japan's full compliance with the semiconductor agreement.

### VOTE OF THE COMMITTEE IN REPORTING OF THE BILL

In compliance with clause 2(l)(2)(B) of rule XI of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the resolution: H. Res. 146 was ordered favorably reported by the Committee on Ways and Means by voice vote.

### OVERSIGHT FINDINGS

In compliance with clause 2(b)(1) of rule C and clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee concludes, on the basis of discussions among Members and review of the status of the U.S.-Japan semiconductor agreement, that additional legislation is necessary to achieve a more open world trading climate in semiconductors.

With respect to clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

### BUDGETARY AUTHORITY AND COST ESTIMATES

In compliance with clause 7(a) of rule XIII and with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that H. Res. 146, as reported, does not provide new budget authority or any new or increased tax expenditures.

### INFLATIONARY IMPACT STATEMENT

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that H. Res. 146 would have no inflationary impact on prices and costs in the operation of the general economy.

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